

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Before Commissioners:

Michael Kubayanda, Chairman;
Ann C. Fisher, Vice Chairman;
Mark Acton;
Ashley E. Poling; and
Robert G. Taub

Competitive Product Prices
Inbound Competitive Multi-Service Agreements with
Foreign Postal Operators
United States Postal Service Contractual Bilateral
Agreement – FY23-1 (MC2010-34)
Negotiated Service Agreement

Docket No. CP2023-61

ORDER APPROVING ADDITIONAL
INBOUND COMPETITIVE MULTI-SERVICE AGREEMENT
WITH FOREIGN POSTAL OPERATOR – FY23-1

(Issued December 29, 2022)

I. INTRODUCTION

On November 28, 2022, the Postal Service filed a notice with the Commission pursuant to 39 C.F.R. § 3035.105 and Order No. 546, stating that it has entered into an Inbound Competitive Multi-Service Agreement with a Foreign Postal Operator (FPO).¹ The Notice concerns the inbound portions of a Competitive multi-service agreement

¹ Notice of United States Postal Service of Filing Functionally Equivalent Inbound Competitive Multi-Service Agreement with Foreign Postal Operator – FY23-1, November 28, 2022, at 1 (Notice) (citing Docket Nos. MC2010-34 and CP2010-95, Order Adding Inbound Competitive Multi-Service Agreements with Foreign Postal Operators 1 to the Competitive Product List and Approving Included Agreement, September 29, 2010 (Order No. 546)).

referred to as the FPO-USPS Agreement FY23-1. Notice at 1. The Postal Service seeks to include the FPO-USPS Agreement FY23-1 within the Inbound Competitive Multi-Service Agreement with Foreign Postal Operators 1 (MC2010-34) product. *Id.*

For the reasons discussed below, the Commission approves the addition of the FPO-USPS Agreement FY23-1 to the Inbound Competitive Multi-Service Agreements with Foreign Postal Operators 1 product.

II. BACKGROUND

The FPO-USPS Agreement FY23-1 is intended to become effective on January 1, 2023, and will, unless terminated earlier, expire on December 31, 2023. Notice at 6. Except as otherwise agreed by contract, the FPO exchanges mail with the Postal Service and applies the Universal Postal Convention and Universal Postal Convention Regulations to those exchanges. *Id.* The Competitive services offered by the Postal Service to the FPO in the FPO-USPS Agreement FY23-1 include rates for inbound tracked packets. *Id.* The Postal Service states that “[m]any rates will be based on a per-piece and per-kilo structure and in Special Drawing Rights....” *Id.* (footnote omitted). Only the inbound portions of the FPO-USPS Agreement FY23-1 that concern Competitive products are included in the proposal filed in this docket. *Id.* Outbound delivery of Competitive postal products within the FPO’s country have not previously been presented to the Commission and are not presented in this Notice. *Id.* In the Notice, the Postal Service asserts that the FPO-USPS Agreement FY23-1 is functionally equivalent to the baseline agreement for the Inbound Competitive Multi-Service Agreements with Foreign Postal Operators 1 product and requests that the agreement be added to the existing Inbound Competitive Multi-Service Agreements with Foreign Postal Operators 1 product. *Id.* at 3.

Accompanying the Notice are:

- Attachment 1—an application for non-public treatment of materials to maintain redacted portions of the FPO-USPS Agreement FY23-1 and supporting documents under seal
- Attachment 2—a redacted copy of FPO-USPS Agreement FY23-1
- Attachment 3—a copy of the Governors' Decision No. 19-1
- Attachment 4—a certified statement required by 39 CFR 3035.105(c)(2)
- Supporting financial documentation as separate Excel files

On November 29, 2022, the Commission issued a notice establishing the instant docket, appointing a Public Representative, and providing interested persons with an opportunity to comment.² On December 6, 2022, the Public Representative filed comments.³ No other comments were received. On December 12, 2022, Chairman's Information Request No. 1 was issued.⁴ On December 15, 2022, the Postal Service provided its response to CHIR No. 1.⁵

III. COMMENTS

Based upon a review of the Postal Service's Notice and supporting materials, the Public Representative finds that the differences between the FPO-USPS Agreement FY23-1 and the baseline agreement are not substantial, and that the FPO-USPS Agreement FY23-1 is functionally equivalent to the baseline agreement. PR Comments at 2. She also finds that the prices in the FPO-USPS Agreement FY23-1 should

² Notice and Order Concerning Inbound Competitive Multi-Service Agreement with Foreign Postal Operator, November 29, 2022 (Order No. 6345).

³ Public Representative Comments on Postal Service Notice of Filing Functionally Equivalent Inbound Competitive Multi-Service Agreement with Foreign Postal Operator – FY23-1, December 6, 2022 (PR Comments).

⁴ Chairman's Information Request No. 1, December 12, 2022 (CHIR No. 1).

⁵ Responses of the United States Postal Service to Questions 1-2 of Chairman's Information Request No. 1, December 15, 2022 (Response to CHIR No. 1).

generate sufficient revenues to cover costs and therefore meet the requirements of 39 U.S.C. § 3633(a). *Id.* For these reasons, she recommends that the Commission approve the addition of the FPO-USPS Agreement FY23-1 to the Inbound Competitive Multi-Service Agreements with Foreign Postal Operators 1 product. *Id.*

IV. COMMISSION ANALYSIS

The Commission's responsibilities in this case are to ensure that the FPO-USPS Agreement FY23-1 is functionally equivalent to the baseline agreement established for the Inbound Competitive Multi-Service Agreements with Foreign Postal Operators 1 product and satisfies the requirements of 39 U.S.C. § 3633 and applicable Commission rules (39 C.F.R. §§ 3035.105 and 3035.107).

Functional equivalence. In Order No. 546, the Commission added the Inbound Competitive Multi-Service Agreements with Foreign Postal Operators 1 product to the Competitive product list and established a baseline agreement for assessing the functional equivalence of future agreements proposed for inclusion within the Inbound Competitive Multi-Service Agreements with Foreign Postal Operators 1 product.⁶

The Postal Service asserts that its filing demonstrates that the FPO-USPS Agreement FY23-1 is functionally equivalent to the baseline agreement, and requests that the agreement be included within the Inbound Competitive Multi-Service Agreements with Foreign Postal Operators 1 product. Notice at 3. It asserts that the FPO-USPS Agreement FY23-1 fits within the Mail Classification Schedule language for the Inbound Competitive Multi-Service Agreements with Foreign Postal Operators 1 product. *Id.* at 6. The Postal Service also asserts that the FPO-USPS Agreement FY23-1 and the baseline agreement are materially similar with respect to products and

⁶ See Order No. 546 at 9. The agreement was with Koninklijke TNT Post BV and TNT Post PakketSERVICE Benelux BV. *Id.* at 1-2. See also Decision of the Governors of the United States Postal Service on the Establishment of Prices and Classifications for Inbound Competitive Multi-Service Agreements with Foreign Postal Operators (Governors' Decision No.10-3), August 6, 2010; Docket No. CP2011-69, Order Concerning an Additional Inbound Competitive Multi-Service Agreements with Foreign Postal Operators 1 Negotiated Service Agreement, September 7, 2011, at 5 (Order No. 840).

cost characteristics. *Id.* at 7. The Postal Service identifies a number of differences between the FPO-USPS Agreement FY23-1 and the baseline agreement but asserts that these differences do not affect the fundamental service being offered or the fundamental structure of the agreements.⁷

The Commission has reviewed the Postal Service's reasons for asserting that the FPO-USPS Agreement FY23-1 shares similar cost characteristics with the baseline agreement and falls within the classification established in the Governors' Decision authorizing this product. It also has considered the Public Representative's comments.

The Commission concludes that the FPO-USPS Agreement FY23-1 is functionally equivalent to the baseline agreement and that the differences between the two agreements do not fundamentally alter either the service the Postal Service will provide under the FPO-USPS Agreement FY23-1 or the structure of the FPO-USPS Agreement FY23-1. The Commission, therefore, finds that the FPO-USPS Agreement FY23-1 may be included within the Inbound Competitive Multi-Service Agreements with Foreign Postal Operators 1 product.

Cost considerations. The Commission reviews each Competitive product to ensure that it covers its attributable costs, does not cause Market Dominant products to subsidize Competitive products as a whole, and contributes to the Postal Service's institutional costs. 39 U.S.C. § 3633(a); 39 C.F.R. §§ 3035.105 and 3035.107. As long as the revenue generated by a product exceeds its attributable costs, the product is unlikely to reduce the contribution of Competitive products as a whole or to adversely affect the ability of Competitive products as a whole to contribute an appropriate share of institutional costs. In other words, a product that covers its attributable costs is likely to comply with 39 U.S.C. § 3633(a).

The Commission has reviewed the Postal Service's filing, including supporting financial analyses provided under seal, and the Public Representative's comments.

⁷ *Id.* at 8-9. Differences include, among others, revisions to negotiated prices for inbound tracked packets, and inclusion of new articles and annexes. *Id.*

Based on this review, the Commission finds that the FPO-USPS Agreement FY23-1 should cover its attributable costs. The addition of the FPO-USPS Agreement FY23-1 to the Inbound Competitive Multi-Service Agreements with Foreign Postal Operators 1 product should not cause cost coverage for the product to fall below 100 percent. Consequently, the Commission finds that the addition of the FPO-USPS Agreement FY23-1 to the Inbound Competitive Multi-Service Agreements with Foreign Postal Operators 1 product should allow the product to continue to comply with 39 U.S.C. § 3633(a)(2).

Because it finds that the addition of the FPO-USPS Agreement FY23-1 to the Inbound Competitive Multi-Service Agreements with Foreign Postal Operators 1 product should allow the product to cover its attributable costs, the Commission concludes that the addition of the FPO-USPS Agreement FY23-1 to the product should not result in Competitive products as a whole being subsidized by Market Dominant products, in accordance with 39 U.S.C. § 3633(a)(1).

Similarly, the Commission finds the addition of the FPO-USPS Agreement FY23-1 to the Inbound Competitive Multi-Service Agreements with Foreign Postal Operators 1 product is unlikely to prevent Competitive products as a whole from contributing an appropriate share of institutional costs, consistent with 39 U.S.C. § 3633(a)(3). Accordingly, a preliminary review of the FPO-USPS Agreement FY23-1 indicates it is consistent with 39 U.S.C. § 3633(a). The Commission will review the cost coverage of the FPO-USPS Agreement FY23-1, the cost coverage of the Inbound Competitive Multi-Service Agreements with Foreign Postal Operators 1 product, and the contribution of Competitive products as a whole to the Postal Service's institutional costs in the Annual Compliance Determination to ensure that they continue to comply with 39 U.S.C. § 3633(a).

Other considerations. The intended effective date of the FPO-USPS Agreement FY23-1 is January 1, 2023. Notice at 6; *id.* Attachment 2 at 7. The Postal Service shall promptly notify the Commission should there be a change in the effective date of the FPO-USPS Agreement FY23-1. The agreement is set to expire December 31, 2023,

unless terminated earlier in accordance with Article 9 of the FPO-USPS Agreement FY23-1. *Id.* If the agreement is terminated prior to the scheduled expiration date, the Postal Service shall promptly file notice of such termination with the Commission in this docket.

Verifiability of Postal Service calculations. The Commission notes that the Response to CHIR No. 1 is less than satisfactory because the cells identified by the Postal Service in the source Excel file as summing up to the values in the instant Excel file at issue in CHIR No. 1 were incorrect. The Commission later identified the correct cells in the source Excel file. The Commission reminds the Postal Service of the requirement that the “unredacted version of a spreadsheet shall display the formulas used and their links to related spreadsheets.” 39 C.F.R. § 3011.203(d). In addition, the “unredacted version of workpapers or data shall...be accompanied by sufficient explanation and documentation, to allow them to be replicated using a publicly available PC application.” *Id.* In the future, the Postal Service should submit the source Excel file(s) together with the Excel file showing the calculation results (calculation Excel file), and provide the formulas used and their links to the source files instead of hardcoding the resulting values in the calculation Excel file. If the source files cannot be submitted in the instant docket, the Postal Service should provide more detailed citations to specific cells in the source Excel file(s), so that the Commission can replicate and verify the calculation performed by the Postal Service. Finally, the Commission reminds the Postal Service to thoroughly review all filings for accuracy prior to submission to the Commission, including responses to CHIRs, to avoid any unnecessary delays in the Commission’s review of the Postal Service’s filings.

V. ORDERING PARAGRAPHS

It is ordered:

1. The FPO-USPS Agreement FY23-1 filed in Docket No. CP2023-61, Notice of United States Postal Service of Filing Functionally Equivalent Inbound Competitive Multi-Service Agreement with Foreign Postal Operator – FY23-1,

filed November 28, 2022, is included within the Inbound Competitive Multi-Service Agreements with Foreign Postal Operators 1 (MC2010-34) product. The revision to the Mail Classification Schedule appears below the signature of this Order and is effective January 1, 2023.

2. The Postal Service shall promptly notify the Commission should there be a change in the effective date of the FPO-USPS Agreement FY23-1.
3. The Postal Service shall promptly file notice of the FPO-USPS Agreement FY23-1's termination with the Commission in this docket if the FPO-USPS Agreement FY23-1 is terminated prior to the scheduled expiration date.

By the Commission.

Jennie L. Jbara
Alternate Certifying Officer

CHANGES TO THE MAIL CLASSIFICATION SCHEDULE

The following material represents a change to the Mail Classification Schedule. The Commission uses two main conventions when making changes to the Mail Classification Schedule. New text is underlined. Deleted text is struck through.

Part B—Competitive Products **2000 Competitive Product List**

2500 Negotiated Service Agreements

2515 Inbound International

2515.10 Inbound Competitive Multi-Service Agreements with Foreign Postal Operators

2515.10.5 Products Included in Group (Agreements)

Each product is followed by a list of agreements included within that product.

- Inbound Competitive Multi-Service Agreements with Foreign Postal Operators 1

Baseline Reference

Docket Nos. MC2010-34 and CP2010-95

PRC Order No. 546, September 29, 2010

Included Agreements

FPO-USPS Agreement FY23-1, CP2023-61, expires December 31, 2023
